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Survey of the End-Use Value of Foreign
Economic and Commercial Reporting

A report submitted to the Committees on Appropriations of the Senate and the House of Representatives by the Bureau of the Budget at the request of the Senate Committee.

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SUMMARY OF FINDINGS AND CONCLUSIONS

1. The scope and content of foreign economic reports have changed significantly in the years following World War II. These changes reflect new informational needs related to the influential role of the United States in international affairs. Recognition of these needs has resulted not only in a greatly increased volume of reports compared with the pre-World War II period but in the development of a more analytical and comprehensive type of economic reporting from foreign posts.

2. In carrying out its responsibilities under Executive Order 10249 issued June 4, 1951, the State Department, through its Division of Foreign Reporting, has completely revised the structure of foreign economic reporting by formulating requirements on a country-by-country basis instead of the subject or commodity basis of reporting formerly used. The comprehensive economic reporting programs now in effect for each country give added emphasis to analyses of economic conditions and industrial relationships which affect a country's economic stability and at the same time permit reporting requirements to be tailored to (a) the importance and industrial development of the country, and (b) the personnel available at the post for reporting activity. Illustrative of the latter type of adjustment is the 25 percent reduction in the number of reports requested from abroad between December 1952 and December 1954, largely reflecting reductions in the Foreign Service staff.

3. The State Department's centralized review of requests for Foreign Service economic reports has resulted in:

- (a) virtual elimination of duplication in data requests sent to the field;
- (b) extensive use of foreign statistical publications instead of prepared statistical reports;
- (c) effective review of each proposed new report in terms of frequency, extent of detail and geographical coverage; and
- (d) the assignment of priorities to approved reporting requests as a guide to relative importance in adjusting workload at the foreign post.

4. Government agencies require economic information relating to foreign countries for use in the formulation of economic policy, the development of estimates of foreign potentials, the conduct of negotiations, the promotion of United States interests, and the establishment and administration of agency economic programs. Repetitive data requirements which can be planned in advance to meet these needs are set forth in a Comprehensive Economic Reporting Program (CERP) prepared for each country. The CERP

reports received from the Foreign Service are actively used in achieving these agency program objectives. In addition, single-time data requests to meet unanticipated needs may be made by agencies as "spot" requests. In general, the information now obtained in CERP and "spot" Foreign Service reporting programs is essential to achievement of the Government functions noted.

5. No other source of information about economic conditions abroad available to Government agencies is judged to be a practical alternative to Foreign Service reporting.

6. Our Government's policy of promoting foreign trade has greatly increased the demand for commercial intelligence about world trade opportunities as an aid to the business community in its search for new foreign markets. Literally thousands of business firms and trade organizations look to the Government as their principal source of information about trade opportunities abroad. Although the provision of commercial intelligence has long been a traditional responsibility of the Government, in recent years these requirements have had to compete for the resources available for foreign reporting with increasingly comprehensive economic data needs. Dissatisfaction with the coverage and timeliness of the Government's commercial intelligence reports has been expressed by business users.

7. In those instances where data are obtained primarily for transmittal to private users (for example, commercial intelligence reports concerning specific situations), it is recommended that agencies providing such services take action to establish user charges on a more realistic basis, taking into account the present value of the services and the increased costs to the Government in providing them.

8. Current needs of the United States Government for analytical and statistical information about world economic conditions, country-by-country, plus the increasingly urgent needs of the business community for information about trade and investment opportunities abroad appear to justify some strengthening of our Foreign Service reporting program.

INTRODUCTION

This report was prepared in response to a request of the Committee on Appropriations of the U. S. Senate to the Bureau of the Budget to make a comprehensive survey of foreign economic reporting "and assess the importance and end-use value of all types of reports being requested and prepared."^{1/} The Committee requested that when such a study is completed a report of findings and conclusions be filed with both the Senate and House Appropriations Committees.

From the context in which the request was made, and from discussion with staff of the Senate Committee, it appeared that Congressional concern with this subject was focused primarily on such questions as whether the Government's foreign reporting services are serving useful and important purposes, the extent to which they tend to duplicate other services and sources of information, to what extent the amount of detail, frequency or geographic coverage of the reports might be reduced, and whether the service could be put on a self-supporting basis through a system of user charges.

More specifically, the purposes were defined as follows:

1. To provide a basis for appraising the importance and end-use value of economic and commercial intelligence reported by the Foreign Service;
2. To determine whether the data reported are essential to effective performance of necessary Government functions and business operations;
3. To ascertain whether the information reported is available to end-users from other sources;
4. To determine whether the cost of providing foreign economic and commercial intelligence services can be defrayed by imposing charges on the users at a level sufficiently high to make the activity self-supporting, or substantially self-supporting;
5. To ascertain whether the amount of detail, frequency or extent of geographic coverage of needed Foreign Service reports can be reduced without seriously impairing their value to users.

^{1/} U. S. Congress. Senate. Committee on Appropriations. Departments of State, Justice, and Commerce Appropriation Bill, 1955 (83rd Congress, 2nd Session, Senate Report No. 1541) (Washington, U.S. Government Printing Office, 1954), p. 4.

The scope of the study was limited explicitly to end-uses of economic and commercial intelligence obtained through reporting by the United States Foreign Service. No need was felt to be concerned with whether a particular kind of information was reported by the political or economic staff of the embassies, by Agricultural, Commercial, Labor or Treasury Attaches, so long as it formed a useful part of the body of data available to Government agencies for economic and commercial intelligence purposes. Thus political reporting by the Foreign Service was not excluded categorically, as much of what is defined as political reporting has incidental value for economic and commercial use. Military intelligence, on the other hand, was excluded categorically from the scope of the survey (although economic intelligence obtained by defense agencies from Foreign Service reports, and used for nonmilitary purposes, was not excluded).

The survey did not cover the processes of foreign reporting as such; that is, being limited to end-uses, it was not designed to measure or appraise the effectiveness of procedures used in gathering information abroad or the efficiency of Foreign Service personnel at reporting posts in other countries. Such questions were dealt with only indirectly through examination of the administrative arrangements and procedures in Washington for evaluation and appraisal of the quality of individual reports and for rating performance of the reporting function.

The study was carried out partly by regular staff of the Bureau of the Budget and partly by temporary personnel engaged for the purpose. The salaries paid to the latter, as well as travel and other direct costs incurred in connection with the project, were financed by means of an allocation of funds appropriated for "Expenses of Management Improvement" (Appropriation No. 11X0061), made by the Director under authority vested in him by Executive Order No. 10559, September 8, 1954. The survey was directed, under general supervision of the Assistant Director for Statistical Standards, Bureau of the Budget, by Dr. James E. Gates, Dean of the College of Business Administration, University of Georgia, assisted by Carl F. Behrens, of the economics faculty of the University of Virginia.

Invaluable assistance in major phases of the study was provided by the Budget Bureau's Advisory Council on Federal Reports, by individual members of the Council, and by the Executive Secretary of the Council, Mr. Russell Schneider. In particular, the Advisory Council on Federal Reports established a Special Committee on Foreign Economic Reporting to advise and assist the Bureau in carrying out the survey. Mr. Joseph A. Sinclair, Secretary of the Commerce & Industry Association of New York, who was appointed to membership on the Advisory Council by the American Chamber of Commerce Executives, served as Chairman of the Special Committee, assisted by Mr. Vincent Bruno, also of the Commerce & Industry Association of New York. In addition to Mr. Sinclair, the membership of the Special Committee on Foreign Economic Reporting of the Advisory Council on Federal Reports was as follows:

George Q. Adamson, General Manager, International
Division, Dun & Bradstreet, Inc.

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Bjarne Asper, Vice President, Johns-Manville International Corporation

E. F. Buryan, General Manager, Revlon International Corporation

Philip J. Gray, Manager, Foreign Credit Interchange Bureau

Stanley Hollis, President, American Foreign Credit Underwriters Corporation

Harold B. Say, Manager, Washington, D.C., Office, Portland, Oregon, Chamber of Commerce

H. Andre Weismann, Vice President, Gillespie & Company of New York, Inc.

The Special Committee on Foreign Economic Reporting was especially helpful in the preparation and circulation of a questionnaire on business uses of Foreign Service reports, which was sent out to business firms and organizations in all parts of the country by the Bureau of the Budget and the Advisory Council on Federal Reports, in nearly every case with the collaboration of the local Chamber of Commerce.

Replies to the questionnaire on business uses of Foreign Service reports, valuable as they were in providing information for this aspect of the study, were only one of the sources utilized. Very valuable information was obtained also through personal visits and telephone interviews with a large number of people outside the Government representing a wide range of business interests, including banks, law firms, publishing houses, trade associations, individual business firms, credit agencies, and many others. Much was gleaned also from examination of materials actually used in business operations in the foreign trade field, and from publications and other commercial intelligence services available from nongovernmental sources.

The investigation of end-use of foreign reports by Government agencies was conducted principally by interviews with Federal agency personnel. Every important Executive agency was covered by interviews, and agencies that use foreign reports only occasionally or incidentally were consulted by telephone or personal visits. In addition, examination was made of Government publications containing information from Foreign Service reports, and mailing lists and distribution practices were analyzed in many cases. Several studies were made, tracing particular types of reports through all the processes in their dissemination and end-use.

The project staff received full cooperation and assistance in every agency visited. Copies of publications and unpublished materials were made freely available; access to files was given wherever requested; special analyses of various kinds were prepared by a number of agencies for purposes of the study; and, in short, except for difficulties in staffing the project, it can be said that no serious problems were encountered in connection with the study. The small staff available for the purpose could not possibly have completed the project without the very generous cooperation received from the other agencies.

Special mention should be made of the cooperation and assistance provided by the Division of Foreign Reporting of the Department of State, the Bureau of Foreign Commerce of the Department of Commerce, and the International Cooperation Administration of the Department of State (known as the Foreign Operations Administration at the time the study was made).

I. FOREIGN REPORTING IN THE POSTWAR PERIOD

To understand the nature of the problems to which this study is addressed, it is necessary to be aware of the postwar changes in the volume and character of economic and commercial reporting, and in the needs of Government and business for such reporting, as compared with the situation that existed before World War II. Most of the commercial intelligence and economic reporting services maintained before the war are still in demand, but the needs for such information have expanded greatly in scope and intensity. Present-day needs of Government in connection with economic and military aid programs, economic defense measures such as export controls, and many other activities that were not even contemplated twenty years ago, involve high priority requirements for comprehensive economic data from all parts of the world.

These requirements affect not only the volume but the character of reporting, involving much more intensive and critical analysis of economic conditions abroad. An obvious example is provided by the detailed information now required on the movement of goods in East-West trade, which had no parallel in the prewar period. Similarly, the normal peacetime operations of Government in past years did not give rise to the kinds of needs we now have for critical analyses of the economic potential or capabilities of our allies to support military forces, evaluation of production and raw materials resources of other countries, appraisal of foreign requirements for products and materials and of possibilities abroad for absorption of our surplus agricultural commodities, and the like.

At the present time nearly all Federal agencies are end-users to some extent of economic reports obtained from our diplomatic posts abroad. More than a dozen agencies are substantial users.

Business needs for foreign commercial intelligence have not changed as markedly, but they too have been affected by postwar developments, notably the substantial increase that has occurred in the volume of our foreign trade, and the shifts that have taken place in the patterns of international trade (e.g., the relative increase in exports of machinery and other finished manufactures as compared with agricultural products and raw materials). Changes in the geographical patterns of trade arising from trade restrictions of various kinds, including limitations on trade with some countries, and other factors have operated to affect significantly the volume and character of the demands for commercial intelligence services.

The provision of commercial intelligence about a particular firm, product or industry has been a traditional service of our Government representation abroad. Until recently, however, the business community's postwar need for this type of overseas representation has not seemed

urgent and commercial intelligence data requirements have had to compete for the reduced resources available for foreign reporting with increasingly comprehensive and urgent economic data needs. Our program for the fostering of foreign trade has given greater urgency to the demands for an expanded commercial intelligence service by those who consider such information indispensable in the search for new markets. As a result considerable dissatisfaction with the present coverage and lack of timeliness of commercial reports is registered by business users.

Administration of foreign economic reporting

Executive Order No. 10249 of June 4, 1951, placed the responsibility for the administration of the foreign reporting system upon the Department of State. Under the provisions of that order, the Department of State was established as the focal point in the Government charged with developing a comprehensive program, correlating the requirements of the several interested agencies, and making optimum use of available staff resources.

The responsibilities placed upon the Department of State inevitably resulted in some friction, much of which was unavoidable. This situation has been intensified for several reasons. The changing nature of the demands for foreign economic reporting has made the administration of our reporting systems ever more complex. New reporting requirements have had to compete for the limited resources of staff abroad. There have had to be changes in priorities and in the scheduling of reports submissions. These factors have been accentuated in the last two years by a 25 percent reduction in economic reporting personnel at Foreign Service posts. Despite these conditions, however, it is believed that the administrative arrangements put into operation by the Department of State under Executive Order 10249 have been a positive factor in assuring a more effective reporting system.

The Division of Foreign Reporting, operating under the direction of the Controller, is the focus within the Department for administration of foreign economic reporting operations. Since the issuance of the Executive order, that Division has given intensive attention to many major aspects of the foreign reporting services. In some ways, the most noteworthy accomplishment has been the completion, for each of the different countries and areas, of the "Comprehensive Economic Reporting Program" (CERP), called for in the Executive order.

CERP. - Basically these programs, or plans, comprise the detailed statement of requirements of the Federal Government as a whole for economic data, including analyses of economic conditions in foreign countries, normally gathered through the Foreign Service, insofar as these can be anticipated on a systematic or recurring basis. Each "CERP" is tailored to a particular country or area, and includes only those items of information that are needed from that area. They are formulated after consultation with the reporting personnel in the field as well as with the Federal agencies concerned with data from the area. Moreover, they are reviewed in the same systematic manner and revised as needed to keep them up to date.

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As compared with previous reporting instructions, the CERP's involve many fewer requirements of questionable essentiality. They recognize more clearly the varying importance of different subjects in various countries. And they reflect on a more current basis the reporting needs related to the strategic and influential role of the United States in world affairs. The new instructions also provide for improvements in procedures for transmitting information. For example, instructions were revised to encourage the practice of sending copies of foreign publications instead of writing specially prepared statistical reports when publications can be supplied to serve the purpose.

The CERP's not only list the items of data on which information is to be reported, but indicate the frequency of reporting required for each item to meet the known needs for the data; specify the dates on which reports are due (except for items to be reported "when available" or "as published"); and show the priority rating assigned to reporting on the individual items. A CERP typically includes four sections, as follows:^{1/}

1. Section A.--Requirements for basic or background reports.--These cover topics on which there is little or no change from year to year--such as climate, general economic, social, physical and other more or less stable characteristics of the country--on which there is seldom need to report more than once. The content of such reporting may be left to the discretion of the embassy or other reporting post.
2. Section B.--Requirements for repetitive statistical data.--This section lists the subjects and commodities on which a continuing flow of data are needed monthly, quarterly, annually, or "as available." The items listed and the frequency of reporting specified for different items vary widely from country to country according to the importance of particular subjects or commodities in the country and the extent or intensity of our own interests in them. For most items listed, the reporting requirement can be met by submittal of publications containing the statistical data, and the instructions to the reporting post so specify.
3. Section C.--Requirements for repetitive analytic reporting.--This section serves as a guide to the subjects on which analytic reports are needed at regular intervals, and to the particular aspects of these subjects that are of special importance in terms of United States interests. For most of the subjects listed, reports are required only once a year.

^{1/} The content of a typical CERP described here is illustrated by the one established for Japan, dated February 23, 1954, which was reprinted as Exhibit A to the Report of the Investigations Division of the Senate Appropriations Committee on "Foreign Reporting Service," March 1954, p. 15-24.

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4. Section D.--Alert list.--This section lists topics of particular importance for reporting as significant developments occur. The list is carefully selected and is limited to a relatively small number of topics in which agencies in Washington are known to be particularly interested.^{1/}

Priorities.--Procedures for assigning priorities to guide field posts in allocating resources to competing demands for information are basic to the operation of the "CERP" scheme. Before the new scheme was inaugurated, the Division of Foreign Reporting established well defined procedures of this kind in consultation with the user agencies. These procedures have been particularly important in facilitating adjustment to reduced staff levels when the demands on the Foreign Service were increasing.

The priorities system adopted involves assignment of a numerical rating, on a scale from 1 to 5, for every CERP reporting requirement and every "spot" report requested, according to its relative importance or urgency. The highest priority, a rating of "1" which calls for immediate action by the reporting post, is authorized very infrequently and only for matters of the greatest urgency. The following tabulation shows the distribution according to priority categories of all CERP reporting requirements in effect on July 1, 1955, and of all spot requests transmitted to reporting posts during the fiscal year ended June 30, 1955:

Priority Category	CERP Requirements		Spot Requests	
	Number	Percent	Number	Percent
1	--	--	4	.
2	675	4.9	198	1.2
3	8,369	60.7	2,598	15.3
4	3,091	22.4	2,357	13.9
5	1,657	12.0	11,610	68.3
(None) ^{2/}	--	--	220	1.3
Total	13,792	100.0	16,987	100.0

^{1/} The "alert" list in the CERP for Japan, for example, includes 41 items, covering such topics as "cartel formation," "shifts in relative importance" of various agencies "in determining fiscal, exchange control, monetary, and other financial policies," "progress of land-reform program," "problems of intensified competition in ocean shipping," and "notable motion-picture industry activities and problems affecting the distribution of United States films and the remittance of earnings thereon."

^{2/} Spot requests transmitted without prior clearance in the Division of Foreign Reporting of the Department of State, which is responsible for assignment of priority ratings.

It appears from this tabulation that the lowest priority ratings (4 and 5) are used for a much smaller proportion of CERP reporting requirements than of spot requests: 34.4 percent for the former and 82.2 percent for the latter. Inasmuch as the bulk of the spot requests transmitted are for the Department of Commerce, these figures may provide a clue to at least some of the dissatisfaction expressed by business users with the adequacy of our present commercial intelligence services. It should not be inferred, however, that the priority rating is the only factor affecting the rate of progress in completing reporting requirements, and that the lowest-priority items are always at the bottom of the list in the work schedules at reporting posts. Because typically they are less difficult and time-consuming, and because regulations regarding security of classified information are less likely to preclude their being entrusted to "local" personnel, many spot requests can be handled more expeditiously than CERP reporting requirements.

Other improvements.--Another positive step toward improvement in foreign reporting operations has been the development of reporting guidance and instructions for inclusion in the Foreign Service Manual. Such material is designed to promote efficiency by teaching reporting personnel better techniques for the preparation of reports. In addition to "general instructions," materials have been prepared covering techniques of preparing reports on such special topics as petroleum, civil aviation, national income and gross national product, balance of payments, iron and steel, forestry and forest products, private investment, and other subjects on which there is a substantial volume of reporting required.

Steps have also been taken by the Division of Foreign Reporting to reduce the reporting workload imposed on the Foreign Service by establishing standards or criteria for approval of requests for reports before they are sent out to the field. By such means, it is possible to avoid duplication or unnecessary work by screening out in advance requests for data which are already available in some form, requests for data which should more properly be collected through other than Foreign Service channels, unreasonable or unrealistic requests, etc.

Improved efficiency has been sought also through introduction of new methods and procedures for evaluation and appraisal of reporting, and for checking on compliance and level of field reporting activity. Following introduction of the CERP system, detailed and intensive evaluation studies were undertaken on a regular basis to ascertain the quality of reporting under the system by individual Foreign Service posts. These evaluation studies have not only served to point up weak and strong points in the Foreign Service, but have revealed faults in the reporting requirements sent out to the field. Such comprehensive studies are supplemented by a system of regular monthly compliance surveys, and by improved procedures for appraisal of individual reports.

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On balance, it is believed that the action taken by the Department of State under Executive Order 10249 has appreciably advanced the coordination and improvement of foreign economic reporting. The administrative arrangements put into operation by the Department of State have been a major factor in the optimum utilization of limited staff resources. These arrangements permitted, for example, an orderly reduction of 25 percent in the number of reports requested from abroad between December 1952 and December 1954, in response to reductions in Foreign Service staff.

II. GOVERNMENT USE OF FOREIGN SERVICE REPORTS

In the period since World War II, foreign economic matters have become of much greater concern to the United States Government, and the demand for and use of information secured from abroad has greatly expanded. The organization of the Government is such that a large number of agencies are concerned with various aspects of United States foreign economic policy or, at the minimum, with the effect of conditions abroad on domestic developments which relate to their responsibilities.

Obviously the preparation of reports tailored to the particular needs and interests of each agency would result in many duplicating inquiries and avoidable reporting burdens for Government ministries abroad. The increased number of reports would require additional staffs to supply the information. Thus it is basic to a system of foreign economic reporting that reports be so planned that they will meet the needs of several agencies at one time. Any given report may not be wholly of interest to one agency or organized to meet that agency's needs precisely, but rather will be planned to meet the needs of all interested agencies to the maximum extent possible. A general economic report such as an Annual Economic Review, for example, will have a distribution of 90 to 100 copies within the Government, and other reports of general interest have a distribution as high as 70.

Each agency, of course, utilizes a specific report in the light of its own needs. An agency may state that a particular report does not meet its needs entirely or is in part superfluous to its requirements. It is essential, therefore, that the report be evaluated from the perspective of the Government as a whole, taking into account the interests of all agencies whose responsibilities are affected.

The succeeding parts of this chapter discuss the end-use of foreign service reports by departments or agencies which are the principal governmental users of the reports. The discussion will be limited to uses which are made in the interest of Government, such as for policy-making purposes, and will exclude discussion of information which is secured merely for dissemination to private groups in the United States. This latter use is discussed in a subsequent chapter of the report.

Department of State

By and large, the State Department is primarily interested in completely up-to-date information on the latest developments and current problems which may affect current economic policy decisions. For that reason emphasis is placed, for State Department use, on short telegraphic reports on the latest developments and current attitudes of significant foreign personages. The Department is a secondary user of much of the background reporting which is done by the Foreign Service, especially commodity and commercial reporting. It relies to a very great degree on the other agencies of the Government for the primary preparation of

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necessary background and statistical information. For example, to the maximum extent feasible, the State Department relies on compilations prepared by the Department of Agriculture on foreign agricultural commodities, and its own staff makes only such rearrangements of the data as are necessary for its own uses.

However, not all of the research product required for foreign policy purposes can be secured from other Government agencies who have their own particular needs and uses. Consequently, the State Department has a research arm headed by the Special Assistant for Intelligence. Under the Special Assistant for Intelligence there is an Office of Intelligence and Research (OIR) which prepares special research studies at the request of other parts of the Department of State. The Office of Intelligence and Research is divided into geographical divisions, which are responsible for the preparation of special studies dealing with particular countries or regions; and a Division of Functional Intelligence, which is responsible for special commodity studies and for special studies in such fields as population and labor. In the preparation of these reports the Office of Intelligence and Research uses almost every kind of economic report but especially such reports as the following: monthly economic reports, quarterly economic and financial reviews, annual economic reports or financial reviews, balance of payments information, fiscal data, trade data, national income and product statistics, and any other information which may be helpful to a knowledge of the economic weakness, strength, or potential of our allies, the neutrals and our potential enemies.

The Special Assistant for Intelligence is also responsible for keeping the Secretary and other key officials of the Department fully informed with respect to any foreign developments which may affect United States foreign policy. In carrying out this responsibility the Special Assistant for Intelligence daily briefs the Secretary and other key officials on the significant developments of the previous twenty-four hours.

Each of the three offices which comprise the Bureau of Economic Affairs requires information from abroad, obtained through the Foreign Service. The Office of International Financial and Development Affairs is responsible for recommendations on United States policy with respect to development and financial affairs. The Office represents the Department of State on the National Advisory Council on International Monetary and Financial Problems (NAC), and is responsible for departmental liaison with the Export-Import Bank, the International Monetary Fund, and the International Bank for Reconstruction and Development. It is responsible for preparation of appropriate position papers instructing United States delegations at meetings of international organizations. In order to carry out these responsibilities, this Office must utilize all available information specifically relating to foreign balance of payments, exchange rates, the exchange rate control systems, and trade patterns, as well as general economic information and statistics indicative of the growth and potential of foreign economies.

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The Office of International Trade and Resources is responsible for United States foreign policy with respect to commodity agreements, the disposal of foreign agricultural commodities and the administration of the General Agreement on Tariffs and Trade (GATT). In connection with its responsibilities for foreign commodities and resources the Office relies largely on statistical tabulations of other agencies. It does require special reports which may be pertinent to specific problems which arise from time to time. In connection with the GATT and other aspects of U. S. foreign trade policy, the Office requires information bearing on discrimination against United States products, export subsidies, systems of trade controls, bilateral trade agreements and other action which may be indicative of a violation of the provisions of the GATT. This Office is also responsible for such aspects of East-West trade controls as have been delegated to the Department of State and follows closely the data on East-West trade prepared by the Department of Commerce, the trade control systems of the various countries and, in addition, requests special reports when it appears that there has been a diversion of non-United States origin strategic commodities contrary to international agreements.

The Office of Transportation and Communications Policy is responsible for interpretation and application of United States policy in connection with meetings of international bodies dealing with these problems. It also has responsibilities in connection with the negotiation of specific bilateral and multilateral agreements on such matters as trade routes, allocation of communications bands and merchant marine matters. This Office is particularly interested in obtaining information on discrimination against U. S. carriers, transportation of passengers and freight, total tonnage and passengers carried by foreign lines, the size of foreign fleets, new construction of commercial airliners and vessels, the extent to which fleets are being used and other information indicative of the relative position of United States carriers. Much of the information required by this Office is secured from foreign publications, but a number of special requests dealing with specific problems are initiated by the Office.

The regional bureaus of the Department of State are especially interested in current developments affecting foreign policy. They rely for background information on reports prepared in the Office of Intelligence and Research or in other government agencies and also initiate special requests when specific problems arise calling for additional information.

International Cooperation Administration

The International Cooperation Administration, now a part of the Department of State, has its own personnel abroad. However, it is the policy of ICA to make maximum possible use of information collected by the Foreign Service. Consequently, ICA does not undertake to collect general economic information but obtains directly only detailed, particularized information pertinent to specific problems or projects on which it may be working at a given time.

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The ICA uses a great deal of the economic information collected by the Foreign Service, especially information on such subjects as national income, balance-of-payments, budgets, taxes, fiscal operations, monetary controls, etc. This information is used by the individual country desk officers and by the Office of Trade, Investment and Monetary Affairs in determining appropriate levels and types of aid for each country. To a limited extent, ICA is a user of commodity and industry information in countries where rehabilitation of the industrial structure is considered a significant problem. Labor problems are followed by the Office of Labor Affairs.

Much of the information which ICA secures from the Foreign Service is assembled, adjusted and published in periodical issuances of the ICA Statistics and Reports Division. For example, the "Far East Data Book" contains all of the available significant economic indicators for each of the Far Eastern countries. This information is a handy compendium used not only by the individual desk officers and others in ICA, but also throughout the Government by persons working on particular areas or countries.

Intelligence Agencies

The term "Intelligence Agencies" is usually applied to the Central Intelligence Agency and the intelligence arms of the State, Army, Navy and Air Force Departments. These agencies are important users of almost all types of economic information from abroad, although their interest is much broader than the economic.

The CIA receives automatically copies of almost every economic despatch prepared by the Foreign Service, and within CIA these despatches are reviewed and portions which are of interest to the agency are retained and correlated with other sources of information.

The intelligence arm of the State Department is under the Special Assistant for Intelligence, as already indicated. The State Department is interested in any kind of information which will lead to more reliable estimates of the situation abroad in individual countries and in particular regions.

The interests of the intelligence arms of the Army, Navy and Air Force are more specialized and are focused on particular fields of economic information. For example, the Navy is greatly concerned with production and trade in petroleum, while the Army is particularly interested in transportation and communications, and the Air Force has very great interest in civil aviation matters.

Treasury Department

The Department of the Treasury chairs the National Advisory Committee for International Monetary and Financial Problems, composed of representatives of the Departments of Treasury, State, Commerce,

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International Cooperation Administration and the Federal Reserve Board. This Committee is responsible for considering new and special policy problems which arise in the financial and monetary field, and for instructing the United States Director of the International Monetary Fund (IMF) and the United States representative to the International Bank for Reconstruction and Development (IBRD). Among problems typically considered are: desirability and terms of loans to foreign countries; convertibility; assistance through IMF; granting of stabilization credits; and financial terms of agreements for the sale of agricultural products abroad.

In order to carry out its responsibilities in this area the Treasury Department depends on the Foreign Service for information on the general economic situation in each country abroad and, more especially, for the securing of essential financial statistics. The statistics include balance-of-payments data, budgets, fiscal revenues and expenditures, gold and foreign exchange holdings of foreign governments, exchange rates, and such general statistics as national income and gross national product. In addition, the Treasury Department must secure information on the general system of taxation, the effectiveness of the tax system and its incidence, systems of exchange control and trade controls, the regulations of central banks, the relations of central banks to finance ministries, the type and effectiveness of fiscal controls, the attitudes of important officials toward trade, monetary and financial matters and other similar data.

The Treasury Department is responsible for the administration of our system of foreign assets control. In this connection it is particularly interested in the systems of control adopted by various countries, the movement of capital, gold movements, and any information which may indicate that our foreign funds control regulations are being violated.

The Treasury Department is also responsible for administering the customs of the United States and initiates detailed investigations of the cost of production to producers of particular commodities for which entry into the United States is sought. In order to determine the appropriate customs classification of the article and consequently the appropriate rate of duty, information on the product composition of such commodities and their origin is also secured. Some of these special studies are made by Treasury personnel, but many must be prepared by the Foreign Service.

The Treasury Department also administers the system of countervailing duties in those cases in which it appears that foreign countries are subsidizing the export of particular commodities in such a way as to harm domestic producers. In such cases, the Treasury secures information on the system of subsidy being used, and the amount and character of any special exchange rates or special rebates given to foreign exporters in order to facilitate competition with the United States products.

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The Treasury Department has a number of Treasury representatives abroad who report to the Department of the Treasury. These Treasury representatives are located in such key centers as London, Paris, Rome, Beirut, Tokyo, Manila and Rio de Janeiro. To the extent that they can, these Treasury representatives assume the responsibility for preparing Foreign Service reports required by Treasury. However, since they are few in number, by far the greater part of financial information from abroad secured by our government is collected by the Foreign Service.

Department of the Interior

The Department of the Interior is only indirectly concerned with foreign economic policy. Nevertheless, its interest is substantial and it is classified as an important user of Foreign Service economic reports. Its interest lies particularly with resource commodities such as minerals, metals, fuels and fish in which the United States is concerned with increasing or decreasing dependence upon foreign supplies. Specifically, the Secretary of the Interior is responsible for the collection and presentation to the Office of Defense Mobilization (ODM) of data relating to supplies from domestic and foreign sources in relation to United States requirements for these products.

The Bureau of Mines is the largest single user within the Department of the Interior of Foreign Service economic reports. It obtains extensive information on metals and minerals from the Foreign Service through its annual "Mineral Production Statistics Questionnaire," which is sent to almost every country and territory of the free world. This questionnaire collects statistics on quantity and value of production of every mineral known to be produced in any quantity in each country. The statistics received in this manner are summarized and collated primarily for presentation in the Minerals Yearbook. Although the Minerals Yearbook is used to a great extent by industry, it is also considered an indispensable reference source by officials of the Government concerned with minerals and related matters, especially in the Department of State, the Department of Defense, ICA and CIA.

In addition to the annual data which are made available in the Minerals Yearbook, monthly and quarterly information is obtained on important minerals in selected countries. For example, the Bureau of Mines requests monthly and quarterly data on production and trade in petroleum. These data are used for ODM purposes and are also made available to the Navy, the State Department and other Government agencies concerned with petroleum problems.

In addition to its concern with data on minerals production and trade, the Bureau of Mines is interested in such matters as the development of new petroleum fields, new minerals discoveries and technological advances. Such data are essential for the purpose of developing estimates of future foreign supplies. This information is provided by the Foreign Service in occasional reports prepared as significant developments occur or in the annual minerals reports prepared by most posts.

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The Foreign Service also collects information for the Fish and Wildlife Service. These data are provided on a current basis for business uses and are used by the Fish and Wildlife Service in order to follow trends in international production, consumption and trade, and to develop and protect United States markets for fishery products. The information also becomes important in connection with peril-point and other investigations of the United States Tariff Commission. The Fish and Wildlife Service is also concerned with new fishing grounds, size and type of fishing fleets, and new types of fishing gear and equipment--factors which are important in preparing estimates of probable future fish supplies.

Department of Agriculture

In analyzing the uses of Foreign Service data within the Department of Agriculture, it is difficult to distinguish between the collection of information for private use and for governmental uses. The primary mission abroad of the Department of Agriculture is to encourage and promote the marketing of U. S. agricultural commodities, particularly those which are in surplus supply. Obviously the collection of data on production, consumption, trade, and prices of agricultural commodities is in the interest of the farm community in order to give it information necessary for carrying out a vigorous program. On the other hand, it is equally in the interest of the Government to secure such information since the more successful the export of agricultural commodities, the more vigorous will be the health of the farm economy and the less burdensome will be the problems relating to surplus disposal.

In addition to the general interest in a vigorous disposal program, the Department of Agriculture requires information from abroad for carrying out specific statutory responsibilities. Pursuant to Section 22 of the Agricultural Adjustment Act, whenever the Secretary of Agriculture has reason to believe that any article is being imported into the United States to an extent sufficient to interfere with the execution of domestic programs, he is required to advise the President. The President, in turn, is required to seek an immediate investigation by the Tariff Commission. These Section 22 actions are particularly pertinent to such commodities as almonds, walnuts, filberts, peanuts, tung oil, flaxseeds, dates, figs and prunes. The Tariff Commission uses information supplied directly not only by the Department of Agriculture but also by other sources, including reports from the Foreign Agricultural Service and the Foreign Service of the United States.

Similarly the Department of Agriculture is primarily responsible for the administration of surplus disposal, pursuant to the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480, 83rd Congress). In order effectively to administer this act the Department requires extensive information from abroad on agricultural production, trade, consumption and prices. The Department must not only determine the amount of agricultural commodities which a given country can consume but must also determine that the P.L. 480 program will not interfere with normal United States

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marketing and the usual marketings of other countries. In administering this Act the Department of Agriculture uses information additional to strictly governmental statistics; for example, it seeks information on a country's national income and gross national product, its pattern of trade, its population, its balance-of-payment position and other related data which are indicative of present and potential capacity to consume agricultural commodities.

While the agricultural information used by the Department of Agriculture is now collected entirely by Agricultural Attaches recruited and appointed by the Department of Agriculture with the approval of the Department of State, it is still true that the Department is a user of information secured by the Foreign Service of the United States. As indicated above, in administering P.L. 480, the Department of Agriculture must have a wide knowledge of the economy of each country before proposing a P.L. 480 disposal program. Reciprocally, the reports prepared by the Foreign Agricultural Service are used by other Government agencies, such as the Department of State, the ICA, the Department of Defense and the Tariff Commission.

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Department of Commerce

The Department of Commerce is known as an extensive user of Foreign Service reports for the purpose of disseminating information to the business community through a large number of publications and services. It is also an important user of foreign economic information for Government purposes, in administering controls and regulations for which it is itself responsible or in serving other Government agencies.

One of the significant uses made by Commerce of foreign information is in the administration of export control regulations. The export control function is centered in the Office of Export Supply in the Bureau of Foreign Commerce (BFC). However, the Office of Intelligence and Services, also in BFC, although primarily concerned with services to business, is responsible for collection and collation of a good portion of the information used by the Office of Export Supply. The Office of Intelligence and Services makes use of World Trade Directory (WTD) reports in securing background information on consignees or end-users of United States commodities. This Office also initiates so called end-use checks, more familiarly called "extran" (export transaction) checks, to learn the intended or actual use of particular commodities. A total of 1,159 of these export transaction checks were requested of the Foreign Service by BFC in the fiscal year 1953-54. This means that about one out of every fourteen of the "spot requests" to the Foreign Service originating in BFC were of this type. The Office of Export Supply, through its export control investigation staff, also originates requests for reports. These requests call for detailed information where it is believed that the export control regulations may have been violated.

In addition to information on specific transactions, Commerce requires information of a more general character to appraise the effectiveness of export controls maintained by our allies. Such data include information on foreign control regulations, East-West trade agreements, potential foreign market difficulties and resulting pressures to ease export controls, activities in free ports and trans-shipment ports, and Soviet demands for particular types of goods and Western efforts to meet these demands.

As contrasted to the very specialized reports requested for export control purposes, the Office of Economic Affairs in the Bureau of Foreign Commerce is a significant user of almost all types of Foreign Service reports of a general economic nature. This Office is organized by area divisions and in addition has an Economic Analysis Division. The area divisions follow very closely all aspects of the economies of the countries in their fields of interest, and are particularly interested in the monthly economic reports and the quarterly and annual economic and financial reports. These reports on economic conditions in foreign countries are examined for background information needed in answering business inquiries and in serving needs of Commerce and other Government agencies for data on conditions abroad, in discharge of responsibilities for various particular phases of foreign economic policy.

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In addition to general economic reports, the Office of Economic Affairs needs certain specialized information in order adequately to represent the point of view of the Department of Commerce in the discharge of specific responsibilities. Among these specific matters are: foreign tariffs and trade controls, and foreign government legislative practices and procedures affecting U. S. trade interests in foreign countries. Data on foreign tariffs and trade controls are used, for example, in connection with U. S. tariff negotiations under the Reciprocal Trade Agreements Act. Also, in order to assist in the formulation of our foreign investment policies, the Office of Economic Affairs requires information on the laws, administrative practices and policies of other countries relevant to the establishment of U. S. branch factories and subsidiaries abroad and other factors affecting the climate for private foreign investment.

The International Economic Analysis Division in the Office of Economic Affairs, BFC, assembles and tabulates in great detail statistics on trade with the Soviet bloc by all of the nations of the free world. This information is made available to the Congress and is used by the Department of State, the Department of Defense, the CIA, and ICA in making policy determinations with respect to trade with the Soviet bloc. The statistics serve to show, for example, whether trade with the Soviet bloc as a whole is increasing or decreasing, and, when analyzed in further detail, to show which commodities are being shipped in increasing or decreasing quantities and from what countries. Such information serves as a check on the efficacy of particular control devices and indicates when new techniques are required.

In addition to the statistics on trade with the Soviet bloc, this Division also compiles extensive foreign trade statistics for a variety of other purposes including Government use. It serves the other divisions in the Office of Economic Affairs which in turn must answer business and official inquiries on trends and changing patterns of world trade. The data compiled by this division are used also by the Department of State, ICA, the Tariff Commission, the Treasury Department and other Government agencies for a wide variety of official purposes. For example, in following the efficacy of the European Payments Union (EPU), the Department of State, ICA, and the Treasury Department, as well as the Commerce Department, need to know whether intra-regional European trade is increasing, decreasing or remaining constant. Similarly, in gauging the effects of particular developments affecting countries in the sterling area or other currency areas, it is important to know the trends of trade within these areas as well as between these areas and other parts of the world.

The Office of Business Economics in the Department of Commerce is another important (though less extensive) user of Foreign Service reports. The Balance of Payments Division, for example, follows the balance of payments position of the United States vis-a-vis the other countries of the world. For this purpose it collects original data from many sources, including the balance of payments statements of other countries, which

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are used not only as a primary source but to verify figures obtained from within the United States. The balance of payments statistics produced by this Division are used in conjunction with foreign trade statistics in following movements in particular currency blocs as well as in individual countries vis-a-vis the United States.

The Maritime Administration, now a constituent part of the Department of Commerce, is a specialized user of Foreign Service reports in carrying out its responsibilities for subsidizing United States shipping lines. It must develop statistics on the operating costs of competing foreign lines. Within the Foreign Service, there are Maritime Attaches stationed in strategic maritime centers abroad (London, Paris, Rome, Rio de Janeiro and Tokyo). These attaches devote a major proportion of their time to collecting and reporting information on operating and maintenance costs of foreign lines, as well as construction cost data needed for subsidy determinations in particular cases involving construction of ships by domestic lines. The Maritime Attache is responsible for reporting on the whole region in which the center at which he is stationed is located. In addition, however, non-specialized Foreign Service officers are called upon from time to time to secure supplementary information. For example, the Maritime Administration sends out tri-annually a questionnaire on prices of ships stores and maintenance equipment. This questionnaire is sent to a large number of posts not covered by Maritime Attaches. Similarly, the Foreign Service is instructed to report on collective bargaining and wage agreements between maritime unions and foreign lines so that the Maritime Administration will have necessary information on foreign labor costs available to it.

The Business and Defense Services Administration (BDSA) in the Department of Commerce sponsors the collection of information primarily about developments affecting particular industries and commodities for use by business men. BDSA, however, is also charged with responsibility for advising the Office of Defense Mobilization on mobilization planning matters. In this connection BDSA uses information from abroad on developments in industries producing goods having strategic importance. The BDSA also has responsibility for allocation of goods which are in short supply in the United States. This function is now dormant but in the past a considerable volume of Foreign Service reporting had to do with information on requirements of foreign countries for scarce commodities.

Another specialized user of information from abroad in the Department of Commerce is the Civil Aeronautics Administration (CAA). The Civil Aeronautics Administration has representatives abroad to observe the suitability of foreign airports for use by various types of airplanes. However, such observation is supplemented by the Foreign Service, especially in localities not covered by CAA personnel, and Foreign Service posts are called upon to transmit information on individual accidents as well as statistics on accident rates and suitability of airports in terms of length of run-ways, adequacy of lighting, etc.

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The Public Roads Administration also is a minor user of Foreign Service reports and asks the Foreign Service to secure foreign publications and maps on road networks. Also information on types of surfacing used and length of life in various climates is utilized in order to further Public Roads research on the best types of road surfacing under various climatological and road-use conditions. The Public Roads Administration is called upon to provide expert advisers to foreign governments in connection with road building programs; for example, it has been closely involved in the planning and development of the Pan American Highway.

Department of Labor

The Department of Labor is an important user of foreign service reports in a relatively restricted area. In order to advise the Department of State with respect to foreign labor policies, to carry on its own liaison responsibilities with such bodies as the International Labor Organization (ILO), to provide information on foreign labor conditions to other Government agencies and to labor organizations, the Department requires information on foreign wages, hours, working conditions, cost of living, labor union organization, labor union membership, work stoppages, important personages in the foreign labor field, relationship of labor to government, and on other matters which are indicative of the position, status, importance and condition of labor in foreign countries.

In connection with its responsibility for advising on the effect of tariff reductions on American labor, the Department of Labor has representatives on trade negotiation committees. To enable these representatives to function effectively, it is necessary for the Department of Labor to have information on foreign labor costs and to be able to estimate the probable effect of trade concessions on United States employment in specific industries.

The Department of Labor nominates candidates for approval by the Secretary of State as Labor Attaches. At the present time there are approximately 31 Labor Attaches and Assistant Labor Attaches in the Foreign Service. These Labor Attaches are regular Foreign Service Officers, members of the embassy team, but particularly skilled and knowledgeable with respect to labor matters. They are expected to advise the chief of mission abroad as well as the departments in Washington with respect to foreign labor conditions, problems and issues.

III. BUSINESS USES OF FOREIGN SERVICE REPORTS

Business needs for commercial intelligence and economic information from abroad are not fundamentally different from those of Government. In fact most of the economic reporting done by the Foreign Service is designed to serve needs of both Government and business, and it is not possible to isolate to any great extent reports obtained from abroad that serve primarily the needs of one or the other. This is particularly true of the Foreign Service economic (CERP) reports, of which more than 57,000 were received during 1954. The specifications for these reports reflect expressed needs of Government agencies for economic information from abroad. In requesting such information, however, the Government agencies take into account not only their own needs for administrative and policy functions, but also those of the public, including business, which looks to them for information about conditions abroad. Thus the Foreign Service economic reports received by the Department of Commerce serve not only the needs of the Department in connection with its direct administrative responsibilities such as export controls, as described in the preceding chapter, but are made available directly to business through publication in Foreign Commerce Weekly or other publications, or indirectly through many services to business which are based upon them.

Foreign Service reports are the basis for information and services provided to the public by several agencies, including the Foreign Agricultural Service of the Department of Agriculture, the Bureau of Foreign Commerce of the Department of Commerce, the Bureau of Mines and the Fish and Wildlife Service of the Department of the Interior, and the Office of International Labor Affairs and the Division of Foreign Labor Conditions of the Department of Labor. In terms of the objectives of this end-use study, the services to business provided through the Bureau of Foreign Commerce of the Department of Commerce were considered to be the most important and were selected for the most intensive scrutiny. It is in this area that non-Government uses of Foreign Service reports are most readily identified and appraised; and it is this area that accounts for the bulk of the "spot" reports called for from Foreign Service posts. In 1954 more than 85 percent of the 15,762 spot report requests transmitted to Foreign Service posts were for the Department of Commerce; most (9,593) of these were for World Trade Directory reports (WTD's).

BFC Services to Business

More than half a million requests from business for foreign economic and commercial data were handled by the Bureau of Foreign Commerce (BFC) and field offices of the Department of Commerce in 1954. Information from Foreign Service reports was used to answer more than two-thirds

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of these requests, or about 343,000 in 1954, according to actual records maintained by the Department of Commerce. 1/

Business requests for commercial intelligence and other economic data from abroad deal with a wide range of subjects. The largest single category consists of requests for names of firms engaged in particular kinds of business in individual countries abroad (so-called "trade lists"), which are used as a starting point in establishing trade connections for selling (or buying) merchandise abroad. Almost as numerous as trade list requests are requests for information about particular firms abroad, such as ownership, exact lines of business handled, general reputation and performance record (details provided in the so-called WTD's, or World Trade Directory reports), used to check on status and reliability of prospective trade connections. WTD reports and trade lists, it should be noted, are sold at \$1.00 each. These two categories of requests, together with inquiries on foreign customs regulations, tariffs, exchange and commodity controls and the like, account for nearly half the total volume of the Commerce Department's direct services to business based on Foreign Service reports. The remainder deal with such matters as general economic conditions in foreign countries, foreign investment and trade opportunities, patents and trade marks, import and export statistics, fairs and exhibitions, shipping and transportation, travel, insurance, and similar topics.

Dissemination and use of information from Foreign Service commercial intelligence and economic reports through publications issued by the Department of Commerce constitute an even more extensive and voluminous category of end-use of these materials by business than direct services in response to specific inquiries and requests. Every Foreign Service economic report received in the Bureau of Foreign Commerce is screened for material of interest to the business community suitable for publication in Foreign Commerce Weekly, in a "World Trade Information Service" report, in the series of reports on foreign investment in various countries, or in other non-periodic Commerce publications. The bulk of the material in Foreign Commerce Weekly, comprising more than a thousand pages in the course of a year, is drawn from Foreign Service economic reports. This periodical alone has a paid circulation of more than 9,000 every week, or close to half a million copies per year in the aggregate. Non-periodic publications, being more specialized in content (e.g., "Investments in Pakistan," "Establishing a Business in Liberia," "Basic Data on the Economy of New Zealand," "The Insurance Market in Argentina," "Trademark Protection in Japan," "Preparing Shipments to Lebanon," "Import Tariff System

1/ See the report on "End-use of Foreign Service Reports" submitted on behalf of the Bureau of Foreign Commerce, U. S. Department of Commerce, February 10, 1955, in response to a request of the Senate Committee on Appropriations. More detailed data on BFC services to business are contained in that report, and specimen copies of Foreign Commerce Weekly and other Department of Commerce publications presenting material from Foreign Service reports are appended to it.

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of India," "Electric Power Situation in Spain," etc.), are not as widely used as Foreign Commerce Weekly. Nevertheless, the number of such reports sold during the course of a year is fairly substantial in the aggregate; and receipts from such sales are in excess of \$100,000 per year.

How and by Whom Reports Are Used

It is clear from the foregoing that information from Foreign Service economic reports is used extensively by the business community. This fact, however, throws no light on the question of how the data are used by business firms or what parts of the business community are concerned. As one approach to this question, an examination was made of the activities of field offices of the Department of Commerce, where services are provided directly to individual businessmen. Monthly reports sent in to the Department of Commerce by each of its field offices regularly include typical examples of such services rendered, presenting such details on individual services as the name of the person or business firm served, exact nature of the information or service provided, and in many cases why the service was requested or what purpose would be served by it. These examples present an illuminating picture of ways in which Foreign Service commercial and economic reporting serves practical needs of business. It was considered worth while, therefore, to transcribe a representative cross section of them for use in this report, and excerpts from such reports for a typical month are presented in Appendix A.

The records of actual cases reported in Appendix A could not be analyzed quantitatively in terms of such factors as size of business, or even the total volume of services provided in certain categories which are illustrated by the examples, because not all the data essential for such purposes were recorded. The cases described, however, are believed to be generally typical of the Commerce Department's services to business based on information from Foreign Service reports--i.e., the total of 343,000 cases in 1954 mentioned above.

To throw further light on the question of the kinds and sizes of business represented among users of these services, a mail questionnaire survey was undertaken by the Bureau of the Budget in collaboration with its Advisory Council on Federal Reports. The results of this survey are summarized in the following paragraphs, and excerpts from replies received are presented in Appendix B.

An attempt was made in the questionnaire survey to canvass a representative cross section of business firms and organizations engaged in foreign trade or otherwise concerned with general economic conditions or particular trade and investment opportunities abroad. Questions were asked on kind of business or activity, number of employees, uses made of trade lists and WTD reports and opinions on the prices

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that should be charged for these services, other Government publications or services based on Foreign Service reports utilized, and alternative nongovernmental sources of similar information.

Distribution of the questionnaire was accomplished with the cooperation of local chambers of commerce in various parts of the country. Each local chamber which agreed to participate specified the number of copies of the questionnaire needed to cover a representative cross section of business firms in the community, and then undertook the actual distribution in its area. (All replies, however, were mailed directly by respondents to the offices of the Advisory Council on Federal Reports in Washington.) Such distribution was supplemented by direct mailing from Washington to selected lists of business firms and organizations considered likely to have an interest in foreign economic and commercial intelligence services provided through other agencies than the Department of Commerce—i.e., the Foreign Agricultural Service, the Bureau of Mines, the Fish and Wildlife Service, and others.

Nearly 800 replies to the questionnaire were received; and 782 of these were found usable (others simply returned the questionnaire and indicated that it did not appear to be applicable to them). Of the 782, all but 123 indicated some use of Government services based on Foreign Service economic or commercial intelligence reports. ^{1/} The accompanying table shows the kind of business and size of firm (by number of employees) of all respondents to the questionnaire identified as users of these Government services, and those reporting no use of the services.

These data show that a very large proportion of the business users of information from Foreign Service reports are small business firms--76 percent, or more than three-fourths of the total, having fewer than 500 employees; and nearly three-fifths (58 percent) having fewer than 100 employees. Replies to the questionnaire indicated, moreover, that small business firms are much more dependent on these services than large firms. Many large firms have their own representatives or agents abroad on whom they rely for information or to establish trade connections. They buy trade lists and WTD reports, and subscribe to Foreign Commerce Weekly and "World Trade Information Service" reports; but they also use services of private organizations, such as Dun & Bradstreet, much more extensively, and tend to regard Government services in this field merely as supplementary sources of information. Small business firms, on the other hand, are often completely dependent on trade lists or WTD reports as the sole source of leads to possible trade contacts in other countries, and so stated in their replies to the questionnaire. This is

^{1/} The number of non-users among respondents is not considered significant because it is assumed that a larger proportion of non-users than users failed to reply to the questionnaire. The response rate of over 10 percent which was achieved without follow-up is considered to be more than satisfactory for this type of survey.

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Number of business firms
 (by kinds of business and size) reporting use or non-use
 of Government services based on Foreign Service reports

<u>Kind of business (by size)</u>	<u>Users</u>	<u>Non-users</u>	<u>Total</u>
<u>Total (all kinds of business)</u>	<u>659</u>	<u>123</u>	<u>782</u>
Fewer than 100 employees	385	67	452
100 to 499 employees	116	41	157
500 or more employees	158	15	173
<u>Manufacturing</u>	<u>301</u>	<u>81</u>	<u>382</u>
Fewer than 100 employees	79	31	110
100 to 499 employees	91	35	126
500 or more employees	131	15	146
<u>Importing, exporting, dealers, agents, shippers, etc.</u>	<u>243</u>	<u>27</u>	<u>270</u>
Fewer than 10 employees	155	27	182
10 to 99 employees	73	--	73
100 to 499 employees	9	--	9
500 or more employees	6	--	6
<u>Banks, insurance companies, credit agencies, etc.</u>	<u>23</u>	<u>6</u>	<u>29</u>
Fewer than 100 employees	--	--	--
100 to 499 employees	10	6	16
500 or more employees	13	--	13
<u>Printing and publishing</u>	<u>17</u>	<u>2</u>	<u>19</u>
Fewer than 100 employees	10	2	12
100 to 499 employees	3	--	3
500 or more employees	4	--	4
<u>Trade associations</u>	<u>27</u>	<u>3</u>	<u>30</u>
<u>Miscellaneous (research, engineering, public relations, advertising, port and development agencies, etc.)</u>	<u>48</u>	<u>4</u>	<u>52</u>
Fewer than 10 employees	23	(4	(45
10 to 100 employees	18	(4	(45
100 to 499 employees	3	--	3
500 or more employees	4	--	4

especially true of firms just getting established, just entering the foreign market, or attempting to expand their foreign business into additional countries.

Except for the relatively greater degree of dependence on these services by small business, no very significant differences were disclosed in replies to the questionnaire among different kinds or sizes of business as to their uses of commercial intelligence or economic data supplied by the Government on the basis of Foreign Service reports. Users in all size groups and all kinds of business gave generally similar answers to the questions asked, roughly the same proportions in all groups praising or expressing dissatisfaction with the quality of Government services in this field, reporting according to the same patterns on uses made of the services, and showing approximately the same range of opinions on the prices charged for the services. Small minorities in nearly all size- and kind-of-business groups, particularly among the respondents identified as non-users, expressed disapproval of the services now provided; some compared these services unfavorably with the commercial intelligence and trade promotion activities of other countries; and a few urged the view that Government services of this type should be discontinued altogether or turned over to private enterprise.

Among the more than 500 business users of trade lists and WTD's who replied to questions concerning the prices charged for these services, about 74 percent think they should be kept at the present price of \$1.00 each; about 12 percent consider the present price too high; and nearly 14 percent consider the present price too low. The latter group includes a small number who suggested that the prices charged should be based on cost. It may be significant that, although no question was asked on the point, 25 users volunteered willingness to pay higher prices for trade lists and WTD's if the service could be improved.

The character of the comments made on various points in replies to the questionnaire proved to be more illuminating in many ways than the factual answers to specific questions, and they were considered to merit more substantial treatment than is possible in a brief review or analytical summary. They are therefore reproduced in the form of excerpts for presentation in Appendix B to this report.

IV. OTHER SOURCES OF FOREIGN ECONOMIC INFORMATION

Although, as stated above, no other sources of information about economic conditions abroad that are available to Government agencies and business were found to provide practical alternatives to Foreign Service reporting, it would be incorrect to infer that no other sources exist for any kinds of foreign economic information. Some types of information about foreign countries can be obtained readily and without cost from the embassies and consular offices maintained in the United States by the countries themselves. As noted above, many large corporations, notably large banks and manufacturing companies with subsidiaries abroad, receive information directly from their own representatives or agents in other countries. The United Nations and the specialized agencies affiliated with it, as well as a number of other intergovernmental and nongovernmental agencies and organizations, compile and publish information, especially statistical data, on economic conditions in various countries. News services and some periodical and book publishers have foreign correspondents at strategic locations abroad. Some private organizations and firms operate commercial intelligence services on a business basis, typically dealing with only specialized types of information, such as credit ratings.

The various types of services represented among these alternative sources of foreign economic information were examined carefully with a view to appraising their suitability and adequacy for the purposes for which data from Foreign Service reports are used by Government agencies and business. This examination covered the statistical yearbooks and current statistical bulletins, as well as special reports and other nonperiodic publications, issued by the United Nations and other international organizations; business information services and publications of such nongovernmental organizations and agencies as the Chamber of Commerce of the United States, Dun & Bradstreet, Bureau of National Affairs, Hemisphere Business Services, McGraw-Hill, and others, including a number of trade associations; data on foreign economic conditions published in such newspapers as the Journal of Commerce, New York Times, and Wall Street Journal; statistical yearbooks and current statistical bulletins of many foreign countries; material on foreign economic conditions included in the bulletins published by a number of the larger banks; and various other sources.

Some of these services and publications are very valuable and are used extensively in both business and Government, as general background information on foreign economic conditions, spot news about particular developments abroad, and indications of factors affecting foreign trade and investment. If such services did not exist or were less readily available, the demands for economic reporting by the Foreign Service would be greatly increased. For most purposes these services were found to be complementary or supplementary to Foreign Service economic reporting, rather than competitive or truly alternative sources. The

extent to which one can be substituted for another is limited more or less strictly, depending on the kind of purpose to be served. This can best be illustrated by reference to specific examples.

If a business firm or a Government agency is concerned with the economic situation in a particular country, but needs information of only a fairly general character (such as general levels of employment, production, external trade, national income, prices, etc.), most of the data needed could be found in the Monthly Bulletin of Statistics published by the United Nations. Useful material would also be found in news items and special articles in the daily press and business journals, such as the annual economic review and outlook for the year ahead in the New York Times. For more detailed data on a particular commodity or industry, however, or for more precise analysis of the effects of a particular development affecting trade relations or prospects, such sources would not be adequate. In the case of a Government agency concerned with trade promotion, tariff negotiations, or specific loan or investment matters, there is no substitute for the kind of analytical reporting based on direct observation that is performed by our Foreign Service. Such analytical reporting does not duplicate any service available from other sources. Even the routine submission of repetitive statistical data by the Foreign Service, which overlaps to some extent the compilation of similar data by international organizations such as the United Nations, does not involve serious duplication; under the "CERP" instructions, this kind of reporting is largely limited to transmittal of copies of publications, and these are needed because they contain more detailed tabulations of data than the international organizations are able to present in their summary tables.

The user of foreign economic data who is concerned with a very specific problem—such as a manufacturer wishing to establish trade connections in a particular country to sell his goods, or a Government official charged with responsibility for strategic trade controls—needs more than statistical data or general economic analyses; he needs names, addresses, facts and figures about individual firms or traders. A prospective foreign trader may need merely to be on the alert for specific trade or investment opportunities, which might come to his attention in the pages of Foreign Commerce Weekly or through one or more private sources available to him; and even though there might be some duplication of leads from different sources, the extent of the duplication would not be sufficient to warrant the risk of losing valuable information which might be involved if one of the sources were eliminated. He would find no completely adequate substitute from private sources for trade lists; and the kind of information about the general reputation and reliability of particular firms provided in WTD reports is very useful to him even though he must supplement the information from other sources in order to appraise a credit risk. The Government official using such data may need facts not provided by any private business service or credit

agency, such as facts about compliance with export control regulations; and even if the facts needed could be ascertained from private sources they might have to be documented officially for use in enforcement proceedings.

In summary, the various sources of foreign economic data and commercial intelligence all fill real needs of business or Government, or both; and the curtailment or elimination of any important part of such services would handicap the United States in its economic and trade relations with the rest of the world. The nongovernmental sources referred to above, even though they all provide information about foreign countries, are not duplicated by and are not directly competitive with, except to a limited extent, economic reporting by the United States Foreign Service. Most of them cover only limited areas, either of subject matter or territory or both. None of them can compare with the U. S. Foreign Service as to geographic or subject matter scope, or as to depth and breadth of reporting; and none can be regarded as an adequate substitute except in respect to a few specialized areas of information. In a broad general sense, therefore, the question whether other sources are available for providing the same or substantially similar kinds of information or service can only be answered negatively. With respect to the areas in which Foreign Service reports duplicate, overlap or complete with other services—notably credit information and certain other specialized types of commercial intelligence—the extent of the duplication appears to be slight; and the cost to the Government of these marginal items can be said to be much more than counterbalanced by the value to small business of the services based upon them.

V. USER CHARGES FOR FOREIGN REPORTS

If the information obtained through Foreign Service reports is as valuable to users as our study indicates, the question may well be asked whether the cost of providing the service cannot be defrayed by imposing charges on the users at a level sufficiently high to make the activity self-supporting. That such a scheme would not be totally unrealistic is shown by the success of a number of private enterprises in operating commercial intelligence and related business services at a profit. In fact, however, there is no simple answer to the question. Most of the information in Foreign Service reports is gathered to support Government agency programs and policy-making functions, and would have to be gathered for these purposes whether or not there were also private users. Even the World Trade Directory reports and Trade Lists, which serve business needs obviously and directly, are also used by the Government in administration of export controls and in other ways. Who, then, is to be charged for what services, and how much?

It is the general policy of the administration to charge fees for Government services which are of a special, direct benefit to limited groups of individuals and organizations. Thus a fee is charged for a search of census records for information about a particular person; for making special tabulations of census data; for copies of printed publications or for making copies of records and other material not available in published form.

The Bureau of the Budget has issued specific instructions to the Federal agencies concerning fees for certain kinds of services such as licensing, registration, and copying records. The instructions call for the fees to be fair and equitable. They are to be based on the direct cost of furnishing services, including an appropriate share of the original cost of equipment used (depreciation), plus an additional amount (not less than 15 percent) for overhead and cost of collecting the fees. The value to the recipient is also to be taken into account in determining the level of charges.

Government publications based on Foreign Service reports, such as Foreign Commerce Weekly, booklets on investment opportunities abroad, and the like, are sold by the Government Printing Office at a price which is calculated to defray only the costs of printing plus a 50 percent markup. This price policy which disregards costs of collecting or editing information is determined by statute (44 USC 72a), rather than by the agencies preparing the reports. This statute does not apply to publications printed and distributed by the agencies themselves nor to furnishing information or copies of records.

Perhaps a price could be charged for information drawn from foreign economic and commercial reports which would make the reporting activity self-supporting. Certainly, the charges now made do not cover the full

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cost to the Government. For example, sales of Trade Lists and World Trade Directories accounted for only \$62,000 of general Treasury receipts last year--an amount which obviously bears no relationship to such costs as the pro-rata share of salaries of Foreign Service personnel who collect the information. A price that would cover all costs, however, might be considered unfair in view of the fact that the reports are used in Government operations as well as by business.

Nevertheless, there is room for improvement within the framework of present policy. The user charge of \$1.00 per copy now imposed for Trade Lists and World Trade Directory reports has remained fixed for more than two decades, while the general level of prices in the same period has approximately doubled. This factor alone would suggest a reexamination of existing practice. While it is beyond the scope of the present survey to develop specifications for a new pricing formula, we recommend that agencies providing such services take action promptly to devise a uniform and reasonable formula for updating their existing user charges, taking account of changes in the cost to the Government of making the information available and of the value of the services to users.

VI. DETAIL, FREQUENCY AND COVERAGE OF FOREIGN REPORTS

One objective of the Bureau's survey was to determine whether the amount of detail, the frequency, or the extent of geographic coverage of needed Foreign Service reports can be reduced without seriously impairing their value to users. In a survey of foreign reporting made by the Bureau in 1950, numerous instances were found in which excessive and unnecessary burdens of reporting were imposed on the Foreign Service through failure to limit requests to the minimum levels of detail, frequency and geographic coverage actually required. Monthly and quarterly reports were demanded when only annual data were actually needed. Reports from all countries were called for when data from only the more important ones would have sufficed. The amount of detail requested often substantially exceeded actual requirements.

It appears, as noted previously, that the procedures established since 1951 within the Department of State through its Division of Foreign Reporting have been highly effective in curtailing excessive and unnecessary reporting demands upon the Foreign Service. The institution of the Comprehensive Economic Reporting Programs, the establishment of a system of priorities, the development of revised reporting instructions and new reporting guidance materials, and other improvements instituted under Executive Order 10249 have all been directed specifically toward solution of this problem; and the results achieved have been commendable.

With the limited amount of time and staff the Bureau was able to devote to the present survey it was not possible to make the kind of intensive, detailed examination of a sufficiently large sample of the reports received that would be needed for a fully independent objective evaluation of the effectiveness of existing procedures of the Division of Foreign Reporting. As far as our investigation could be pursued, however, no glaring inadequacies were disclosed, and the tenor of the criticism encountered almost invariably reflected dissatisfaction with curtailment of reporting.

It should be noted that the transfer of the Agricultural Attaches to the Department of Agriculture removed a large segment of our foreign economic reporting activity out from under the control procedures and coordinating mechanisms established in the Division of Foreign Reporting of the Department of State. What has been said above as to the effectiveness of such procedures in eliminating duplication and curtailing excessive reporting demands should be considered as applicable now only to the areas of foreign economic reporting still remaining under the administrative jurisdiction of the Department of State. It is understood that the Foreign Agricultural Service of the Department of Agriculture is alert to the needs for control and coordination and is developing procedures comparable or parallel to those instituted by the Department of State for the same purposes. Reporting instructions are being revised and other steps are being taken to adapt and focus foreign economic reporting activities in this field more directly on problems that are

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currently of concern to the Department of Agriculture. It has already proved possible in some cases to reduce the volume or frequency of some required reports on agricultural commodities, and further efforts are being made to streamline routine periodic reporting in order to permit greater emphasis on analytic reporting related to significant current objectives or problems. In view of the relatively short period of time that has elapsed since the transfer of Agricultural Attaches from the Department of State to the Department of Agriculture, however, it would be premature to draw conclusions as to the effectiveness with which Agriculture has met or will meet the kinds of problems that continue to arise in administration of foreign economic reporting activities.

VII. THE VOLUME OF FOREIGN REPORTING NEEDED

Although the question of how much of the Government's resources should be devoted to foreign reporting services was not explicitly considered to be within the scope of the Bureau's study, the need to provide a firmer factual basis for policy decision on this question was at least implicitly one of the central objectives. The question cannot be answered categorically or in isolation from other questions. Foreign reporting services are not an end in themselves, but must be considered as means to other ends. They are supporting services, or tools, by means of which other activities or functions can be performed effectively. To some activities of both Government and business the reports are essential; in other cases they merely permit more efficient or effective performance. But in any case the answer to the question of how much economic information the Government should obtain through the Foreign Service must depend on the level of activity provided for in the programs for which the information is used.

Accepting the level of resources now available to agencies of the Federal Government for programs involving a need for foreign economic information, it seems clear that some expansion of the resources available for foreign reporting services is justified. Needs are not now being fully met for foreign economic information that is essential to the effective performance of important Government functions, including Government services to business that are based on economic and commercial intelligence from abroad.

Finally, the conclusion can be drawn that any further attrition in the ability of the Foreign Service to meet the reporting demands arising out of genuine needs of Government and business for economic information about the rest of the world, whether by further reductions in appropriations or otherwise, can only lead to continued or increased pressures for the establishment of separate or supplementary services which almost surely would prove less efficient and more expensive to maintain.